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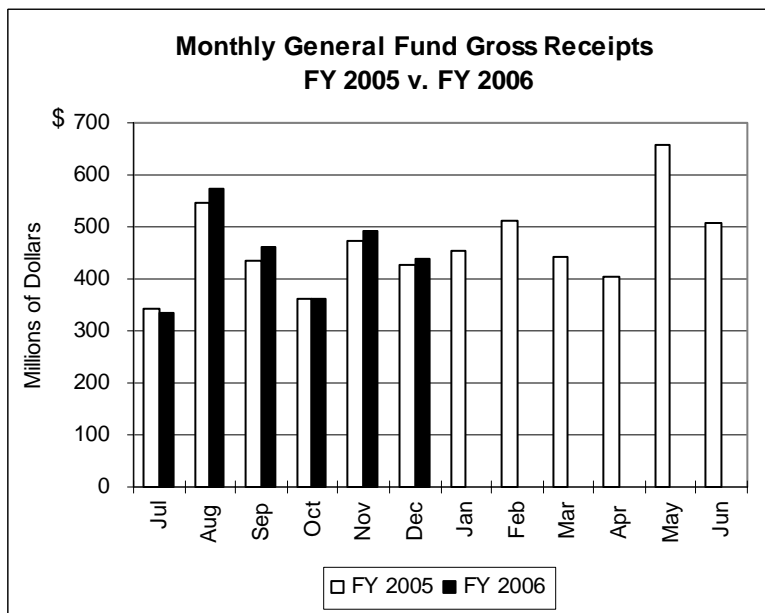
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: January 3, 2006

### Monthly General Fund Receipts through December 31, 2005

The attached spreadsheet presents year-to-date FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.650 billion set by the Revenue Estimating Conference (REC) on December 12, 2005. The FY 2006 estimate is an increase of \$81.4 million (1.5%) compared to actual FY 2005 gross cash receipts (excludes refunds, transfers and accrued revenue changes). The next Revenue Estimating Conference has not been scheduled.



### FY 2006 Compared to FY 2005

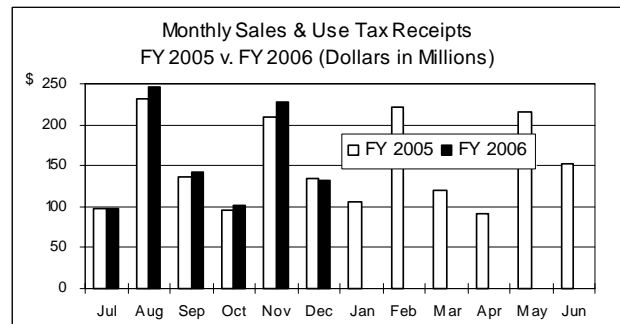
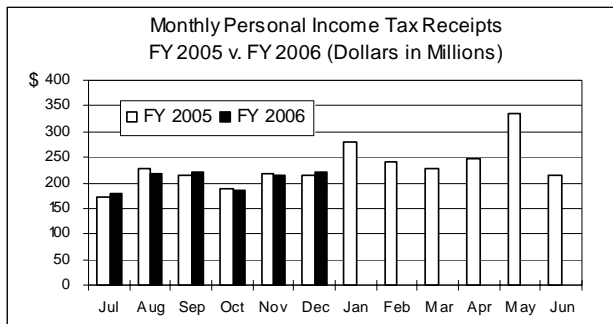
Fiscal year to date, total gross cash receipts increased \$76.2 million (2.9%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (positive \$1.8 million)
- Sales & use tax (positive \$40.4 million)
- Corporate tax payments (positive \$16.4 million)
- Other taxes (positive \$17.4 million)
- Other receipts (positive \$0.4 million)

**Personal income tax** revenues received in December totaled \$219.8 million, an increase of \$3.8 million (1.8%) compared to December 2004.

The State lowered income tax withholding table rates effective April 1, 2005. The first day the change could impact receipts was April 26, 2005. Withholding tax deposits have shown negative growth since April 26<sup>th</sup>, decreasing \$37.0 million (- 2.4%) through December. Revenue Estimating Conference projections call for a reduction of \$115.6 million between April 26 and December 31 as a result of the table changes. Adjusting for that amount of reduction, the base withholding receipt growth since April 26 is positive 4.7%. Prior to April 26, the annual rate of growth was 6.6%. The Fiscal Division continues to monitor the withholding deposit downturn and the impact of the withholding change.

The FY 2006 REC income tax estimate of \$2.811 billion represents a projected increase of 1.1% compared to actual FY 2005. Year-to-date, total income tax receipts have increased 0.1%. By subcategory, withholding tax payments decreased 1.6% and income tax estimate payments increased 7.5%. Payments with returns have increased for the year, but are not a significant revenue source through December. The following chart compares FY 2006 monthly personal income tax receipts from all three personal income tax subcategories with FY 2005.



**Sales/use tax** receipts received in December totaled \$132.6 million, a decrease of \$2.3 million (- 1.7%) compared to December 2004.

The REC estimate for FY 2006 sales/use tax receipts is \$1.873 billion, an increase of 3.3% compared to actual FY 2005. Year-to-date, sales/use tax receipts increased 4.5%. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

**Corporate tax** receipts received in December totaled \$34.2 million, a \$4.4 million increase (14.8%) compared to December 2004. The REC estimate for FY 2006 corporate tax revenue is \$311.4 million, which represents an increase of 10.9% compared to actual FY 2005. Year-to-date, corporate tax revenue has increased 13.8%.

**Other tax** receipts received in December totaled \$18.1 million, an \$8.1 million decrease (- 30.9%) compared to December 2004. All sources of other tax revenue were down for the month, lead by decreases in inheritance, franchise (bank), and miscellaneous tax receipts.

The REC estimate for FY 2006 receipts from other taxes is \$347.9 million, which represents a decrease of 2.1% compared to actual FY 2005. Year-to-date, other tax receipts have increased 12.4%. The large increase is the result of insurance premium tax changes currently being phased-in over several years. The tax rate is being lowered from 2.0% to 1.0%, while the timing of the payments is modified. This results in larger payments due in August and a reduction in payments due

in March and June. Without the accelerated insurance premium taxes, other tax receipts would show a 6.8% year-to-date decrease.

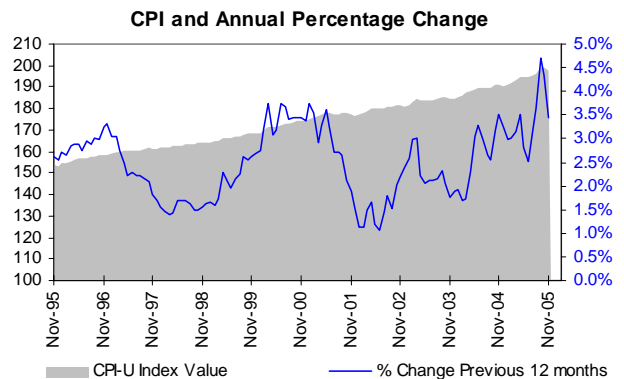
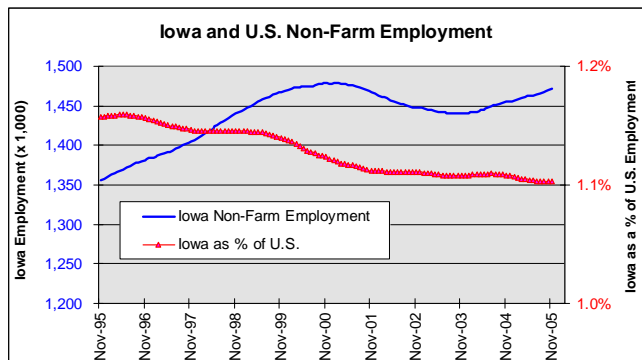
**Other receipts** (non-tax receipts) received in December totaled \$32.5 million, an \$11.1 million increase (54.8%) compared to December 2004. A December 14, 2005, transfer of \$10.0 million from the Unclaimed Property Fund was responsible for the month's large increase. Fee revenue was also up for the month.

The REC estimate for FY 2006 other receipt revenue is \$306.4 million, which represents a decrease of 9.3% compared to actual FY 2005. Year-to-date, other receipts have increased 0.4%. Further FY 2006 transfers from the Unclaimed Property Fund could result in other receipt revenue in excess of the REC projection for that revenue source.

### Status of the Economy

Iowa non-farm employment was reported at 1,503,800 for the month of November (not seasonally adjusted), 23,900 higher (1.6%) than November 2004.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was October 2003 (1,439,900). The current 12-month average reading is 1,471,800, so annualized Iowa non-farm employment is roughly 6,900 below the peak and 31,900 above the recent low point. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment has been decreasing since the mid-1990's.



Consumer prices decreased 0.8% during the month of November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2005 was 197.6 (1983/84=100), 3.5% higher than one year ago. The annual rate of inflation jumped significantly in September, driven by higher motor fuel and other energy prices.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through December 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 05 Actual Compared to FY 06 REC Estimate		
	FY 2005	FY 2006	Year to Date % Change	December % Change	Actual FY 2005	Estimate FY 2006	Projected % Change
Personal Income Tax	\$ 1,236.5	\$ 1,238.3	0.1%	1.8%	\$ 2,782.3	\$ 2,811.9	1.1%
Sales/Use Tax	905.9	946.3	4.5%	-1.7%	1,812.3	1,872.7	3.3%
Corporate Income Tax	118.5	134.9	13.8%	14.8%	280.9	311.4	10.9%
Inheritance Tax	42.4	36.2	-14.6%	-30.1%	78.4	70.9	-9.6%
Insurance Premium Tax	21.9	49.0	123.7%	-100.0%	130.9	128.3	-2.0%
Cigarette Tax	43.7	45.1	3.2%	-2.7%	87.4	89.1	1.9%
Tobacco Tax	4.4	4.5	2.3%	-53.3%	8.7	8.9	2.3%
Beer Tax	7.4	7.5	1.4%	0.0%	14.0	14.3	2.1%
Franchise Tax	17.6	15.3	-13.1%	-28.6%	35.4	35.4	0.0%
Miscellaneous Tax	3.3	0.5	-84.8%	-116.0%	0.6	1.0	66.7%
 Total Special Taxes	 \$ 2,401.7	 \$ 2,477.5	 3.2%	 -0.5%	 \$ 5,230.9	 \$ 5,343.9	 2.2%
 Institutional Payments	 6.4	 6.4	 0.0%	 -33.3%	 12.7	 12.4	 -2.4%
Liquor Profits	25.0	26.3	5.2%	1.8%	59.0	61.8	4.7%
Interest	5.0	8.6	72.0%	33.3%	9.7	10.4	7.4%
Fees	27.7	31.6	14.1%	28.8%	72.3	72.5	0.3%
Judicial Revenue	25.8	22.8	-11.6%	-12.7%	59.2	60.9	2.9%
Miscellaneous Receipts	32.4	27.0	-16.7%	552.6%	65.1	28.4	-56.3%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 2,584.0	 \$ 2,660.2	 2.9%	 2.2%	 \$ 5,568.8	 \$ 5,650.3	 1.5%